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LINES

Insurance News & Information

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THE TENNESSEE DEPARTMENT OF COMMERCE & INSURANCE

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Greetings from the Commissioner

Happy New Year to you all!
This will be an exciting year at the Department.

We are very pleased that the National Association of Insurance Commissioners has appointed our department to several committees. I am pleased to serve as the Chairman of the Antifraud Task Force and the Vice-Chairman of the Receivership and Insolvency Task Force. I am also excited to have been appointed a member of the NIPR (National Insurance Producer Registry) Board of Directors. NIPR is a communication network that links state insurance regulators with the entities they regulate to facilitate the electronic exchange of producer information.

We are also members of various other committees, such as: Consumer Protections Working Group, Regulatory Framework Task Force, Accounting Practices and Procedures Task Force, Examination Oversight Task Force and the Financial Regulation Standards and Accreditation Task Force.

So, as you see, this should be a great year. I hope you all enjoy this newsletter. Don't forget to sign up online to receive it via email at www.state.tn.us/commerce/insurance.

Best Regards,
Paula A. Flowers
Commissioner of the Department of Commerce and Insurance



State of Tennessee's Insurance Division Continues Accreditation

Nashville, TN - The Financial Regulation Standards and Accreditation Committee of the National Association of Insurance Commissioners (NAIC) voted to renew accreditation of Tennessee following an extensive review in August of the states insurance regulation program.

"All of the employees of the Insurance Division have worked hard to assure

renewal of our accreditation," said Commissioner for the State of Tennessee Department of Commerce and Insurance, Paula A. Flowers.

Accredited insurance departments are required to undergo a comprehensive review every five years by an independent review

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— Need Your Input —

Please let us know your thoughts about this newsletter and any input or thoughts you may have for future editions.

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CONSUMER CORNER:

Insurance Services Division – What We Do

The Department of Commerce and Insurance is responsible for regulating and supervising insurance companies, agents, and brokers. We serve to protect the public from willful violations of the insurance code or other state laws.

Consumer Insurance Services assists consumers with insurance inquiries or complaints involving homeowners, automobile, health and life, just to name a few. We review complaints against insurers, agents and brokers, assist in providing complaint mediation, and enforce insurance laws on behalf of a consumer who feels he or she was treated unfairly. If no illegal conduct is found, Consumer Insurance Services often acts in the role as a third party mediator to resolve a claim dispute. Mediation procedures include interviews with insurance company personnel, insurance agents and the inquiring party. However, this division is not authorized to offer legal advice or act as an advocate for consumers.

Consumer Corner Contact Information:

Director for Consumer Insurance Services: Stephani Ryan
To file a complaint, please call 1-800-342-4029 or email cis.complaints@state.tn.us

The Consumer Insurance Services Section exists to serve all consumers protected by an insurance product in Tennessee. We're here to help you protect your rights and – when necessary – mediate complaints against insurers. We can offer valuable resources to help you evaluate and choose the right insurance product, to check on agents, companies and products, and to troubleshoot problems. ■

Before Filing a Complaint

1. Contact the insurance company or agent and bring the problem to their attention. Document telephone calls by noting the name of the person spoken with, the date and time of the call and a brief summary of the conversation. Keep copies of all written correspondence.
2. If a consumer is not satisfied with the response received, contact Consumer Insurance Services for assistance. Insurance specialists are available to answer general questions by telephone at 615-741-2218, or if outside Davidson County, 1-800-342-4029. Formal complaints must be submitted in writing.

When a complaint is received, it will be assigned an identification number and written notification of that number will be sent to the consumer. At that time, we will also forward the complaint to the insurance company or agent requesting a response. The insurance company or agent has no more than 30 days to respond to our inquiry.

The response will be reviewed upon receipt and will result in one of the following actions:

- If the complaint has been resolved, we will close the file and send a letter.
- If an insurance law has been violated, we will request corrective action.
- If the company is not honoring the terms of the policy, we will request corrective action.
- If the insurer or agent has not responded to all questions or has not responded to the complaint

thoroughly, we will require them to do so.

- If no violation of Tennessee law is found, we will notify the consumer of the reason why the complaint file is being closed.

In each instance, consumers will receive a written response from our Department explaining the results of our inquiry.

On average, it takes 45 days from the time we receive a complaint until we finalize a file. Some complaints involving a unique or complex problem may take longer.

Complaints from Consumers

July 2005-December 2005

There were a total of **1,667 consumer complaints** made to the Consumer Insurance Services Division from July to December 2005. Here is a breakdown of the types of complaints:

Property and Casualty	1,029
Closed.....	444
Open	584
Re-opened	1
Life and Health	1,779
Closed.....	690
Open	1,089
Re-opened	0

DISCIPLINARY ACTIONS

TDCI Disciplinary Actions Against Insurance Companies

Century Indemnity Company

—Philadelphia, PA

Century Indemnity Company's certificate of authority was suspended on September 12, 2005, due to the company's hazardous financial condition.

Life and Health Insurance Company of America

—Plymouth Meeting, PA

Life and Health Insurance Company of America's certificate of authority was revoked on September 2, 2005, due to the company's insolvency.

Fidelity National Financial Subsidiaries (title companies)

— Jacksonville, FL

Under the terms of a regulatory settlement agreement, consumers

in each participating state that were affected by the alleged illegal activities of the companies will be refunded the amount of captive reinsurance premium ceded, which, in Tennessee, totals approximately \$7,400.

Marsh & McLennan Companies, Inc.,—New York, NY

Under the terms of the regulatory settlement agreement, Marsh & McLennan Companies, Inc., Marsh, Inc., and their subsidiaries, are required to establish a fund totaling eight hundred fifty million dollars (\$850,000,000) that is to be paid to Marsh's policyholder clients. Marsh must also implement other business reforms.

Republic Western Insurance Company—Phoenix, AZ

Republic Western Insurance Company paid a civil penalty of \$100,000 for violating an order of the Commissioner.

Disciplinary Actions Against Insurance
Agents/Producers**Lawrence W Bartlett**, (12956) -

Soddy Daisy, TN – License was revoked effective August 15, 2005, for misappropriation. He was also assessed a civil penalty of \$15,000.

Lon Jeffery Knoshal (775601) -

Goodlettsville, TN – Suspension on December 29, 2005, for child support arrears.

Barbara Ann Mathes (822896) -

Greeneville, TN – Suspension on December 29, 2005, for child support arrears.

Martin Leon May (866312) -

Knoxville, TN – Suspension on December 29, 2005, for child support arrears.

Christopher Craig Mertz (868919)

— Lebanon, TN – Revocation was final on October 19, 2005, for failing to report other state action.

Maurice Clevel Montgomery

(675322) - Memphis, TN - Suspension on December 29, 2005, for child support arrears.

Kevin Gordon Nutting (780942) -

Seymour, TN – Suspension on December 29, 2005, for child support arrears.

Jeffrey Dewayne Smith (834389) -

Rockwood, TN – Suspension on December 29, 2005, for child support arrears.

Antonio Brandon Starks (746823) -

Nashville, TN – Suspension on December 29, 2005, for child support arrears.

Henry Wilburn (608167) -

Memphis, TN – Suspension on December 29, 2005, for child support arrears.

Danny Jonathan Williamson

(755042) – Memphis, TN – Suspension on December 29, 2005, for child support arrears.

Waddell and Reed – (CRD-866)

Overland Park, KS- Censured on November 29, 2005, for engaging in dishonest and unethical practices.

STATUS OF PROPOSED RULES

Medical and Professional Malpractice Claims and Expenses Reporting (Amendments to 0780-1-84.)

Amendments were filed for publication on October 31, 2005.

- Hearing on the amendments was held on December 16, 2005.

To view the 2004 Medical Malpractice Claims Report, please visit www.state.tn.us/commerce.

This report identifies medical malpractice claims data that have been submitted by insurance companies and uninsured health care professionals and facilities to the Department.

To view the Cover Tennessee Study, please visit

www.state.tn.us/commerce. This project was funded by a federal grant. It highlights the need to develop affordable health insurance options for small businesses and the working poor, and analyzes initiatives attempted in other states.

If you have questions/changes concerning your agent license, please visit

www.state.tn.us/commerce and check out our Agent Licensing Resource page. This office is responsible for the licensing and regulation of insurance agents. Approximately 95,000 agents are licensed to do business in Tennessee. Online license renewal will be coming soon.

A • R • T • I • C • L • E • S

Workers' Compensation Lost Cost Changes

*Commissioner of Commerce and Insurance
Paula Flowers approved a 1.6% overall
increase in workers' compensation loss costs
effective 3/1/06.*

Loss costs are one key factor in determining premium. The change applies to new and renewal coverage. Among industry groups affected, contractors will see an average decrease of 3.3%, manufacturing an average .02% decrease, office & clerical an average increase of 3.6%, goods & services an average increase of 2.2%, while the miscellaneous group increases on average 8.2%.

Loss costs represent the loss and loss adjustment expense portion of what is charged by insurance companies for workers' compensation coverage. Other expenses incurred by individual carriers to issue and service policies, as well as profit, contingencies, and loss cost modifications must be factored in as well in determining the final rate.

2004 Credit Scoring Bill (Reminder)

2004 Public Chapter 527 provides for the regulation of the use of credit scoring for personal insurance underwriting and rating purposes. It amends Title 56 (Insurance), Chapter 5 (Rates and Rating Organizations) by adding Part 4 that provides for the regulation of the use of credit scores in determining personal insurance rates, underwriting and renewability. This law took effect January 1, 2005.

The Insurance Division issued a Bulletin on December 13, 2004 explaining the law's requirements and prohibitions. You may see the bulletin at www.state.tn.us/commerce.

If an insurer takes an "adverse action" against an insured based on factors that include credit information, the insurer must provide notice

to the insured of the "adverse action" and provide the reason(s) for the "adverse action" in clear and specific language so that the insured will know why the "adverse action" was taken. Adverse action is a denial, cancellation or nonrenewal of insurance, a premium increase, a reduction in coverage, or any other unfavorable change in the insurance you have or are applying for.

Insurers are required to indemnify agents/producers against any claim arising from the agent's/producer's use of a consumer's credit information as long as the use was in accordance with the insurer's instructions, procedures and applicable law.

The law requires revised underwriting or revised rating of a consumer if the credit information upon which their previous score was calculated improperly or is incorrect or incomplete. Any overpaid premium must be refunded to the insured.

Insurers who use credit information to underwrite or rate consumers must provide disclosure statements on the insurance application or at the time the application is taken, to inform the consumer that the insurer may obtain credit information in connection with the application for insurance.

This law improved the Department's ability to regulate insurers and protect consumers against potentially discriminatory and abusive use of their credit score as it relates to the underwriting and rating of insurance products.

Insurance Div. Accreditation...cont.

team to ensure they continue to meet national standards. The accreditation standards require that insurance departments have adequate statutory and administrative authority to regulate an insurer's corporate and financial affairs, and that they have the necessary resources to carry out that authority.

CONSUMER SERVICES WORKSHOP

March 7, 2006

Johnson City, Tennessee
Carnegie Hotel, Millennium Centre
8:00 am to 2:00 pm

*Mark your calendar for the
upcoming **FREE Consumer
Services Workshop.***

This workshop is designed to bring you timely, useful information and resources that will enlighten and educate you on topics such as identity theft, frauds/ schemes, insurance issues, mortgages, Medicare changes, wills/trusts and much more. It is also a great opportunity to meet representatives of government and private agencies that offer help and support to consumers in these areas.

Attendance and lunch are free, but space is limited. For more information, contact Sheila Stevens at 800-863-9117 or e-mail Sheila.Stevens@state.tn.us

Sponsored by:
Department of Commerce and
Insurance
Consumer Affairs Division,
Consumer Insurance Services Section
and
the Securities Division and
the Department of Financial Institutions
Consumer Resources Division

**FOR RECENT COMPANY
RATE FILINGS
INFORMATION:
Go to
[www.state.tn.us/
commerce/insurance/con
sumerRes.html](http://www.state.tn.us/commerce/insurance/consumerRes.html)**